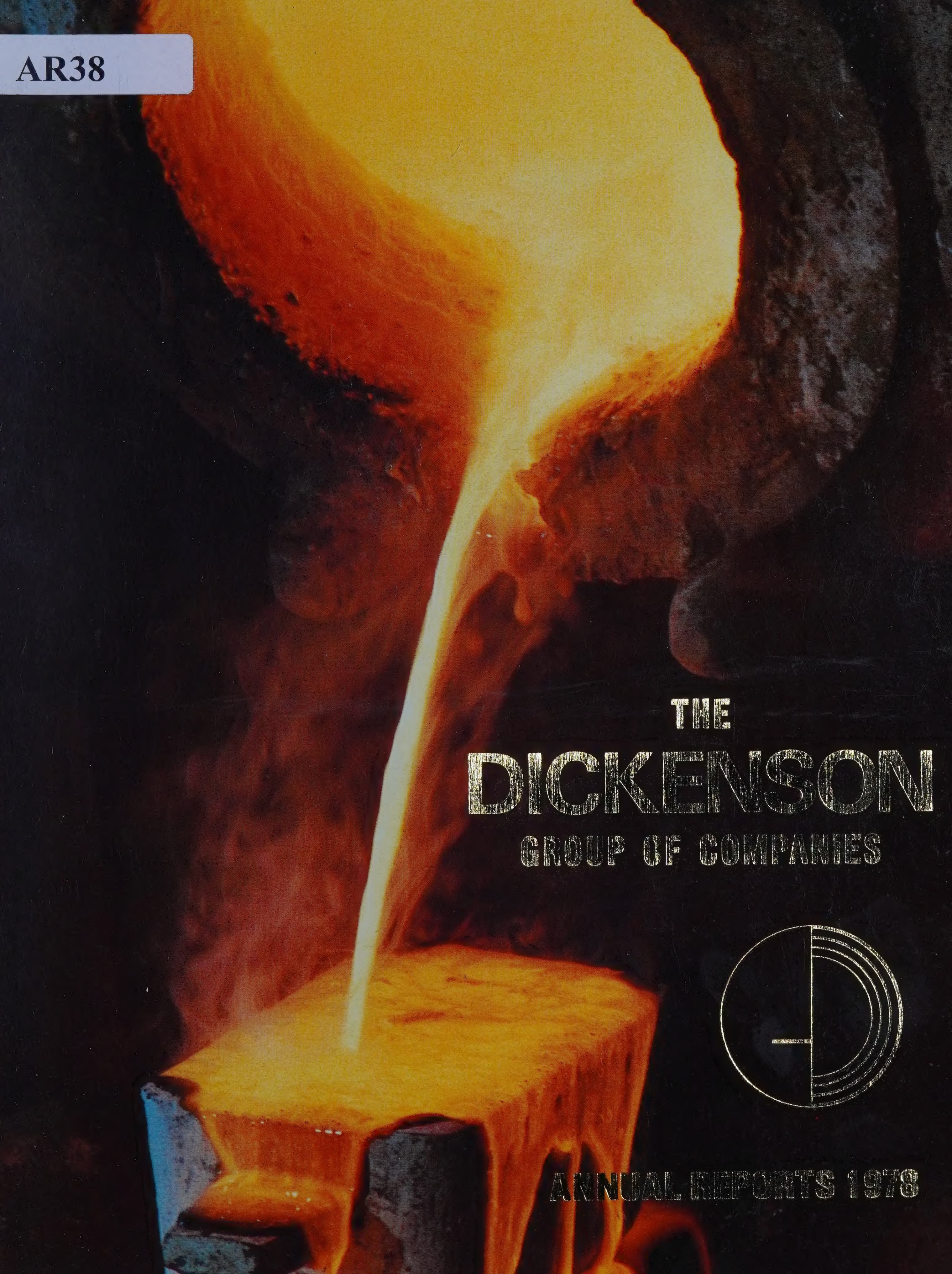

THE DICKENSON GROUP OF COMPANIES

ANNUAL REPORTS 1978

The Dickenson Group of Companies strives to create wealth for the North American economy by seeking, developing and producing essential and valuable minerals. A mine in the Red Lake area of Ontario produces gold. A British Columbia mine produces silver, lead and zinc. Financial interests are held in the oil and gas industry. Uranium is a principal target of the Group with a major exploration and development programme underway in the United States in the State of New Mexico.

DICKENSON MINES
KAM-KOTIA MINES

AS A GROUP from inception to December 31, 1978 have produced mineral wealth as follows:

2,121,095	ounces of GOLD
6,916,929	ounces of SILVER
163,076,704	pounds of COPPER
178,764,594	pounds of ZINC
66,317,289	pounds of LEAD

DIVIDENDS TOTAL		Per Share
DICKENSON MINES	$11,742,448	$3.50
KAM-KOTIA MINES	$ 2,927,470	$0.685

THE DICKENSON GROUP OF COMPANIES

The 1978 Annual Report contains the reports of
DICKENSON MINES LIMITED
KAM-KOTIA MINES LIMITED
Producers of Gold, Silver, Zinc and Lead. Reports their involvement in the Energy field of Oil, Gas and Uranium. Contains reports on associated Companies. Silvana Mines Inc., Dickenson and Kam-Kotia are listed on the Toronto Stock Exchange. Silvana is also listed on the Vancouver Stock Exchange.

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THE DICKENSON GROUP OF COMPANIES

REPORT TO SHAREHOLDERS

Excellent progress was achieved by the Dickenson Group of Companies in 1978. The accompanying Financial Statements and the Review of Operations and Interests reflect the extent of this achievement.

In comparing highlights for 1978 with 1977, it should be noted that information contained in this report gives effect to the amalgamation of Dickenson Mines Limited and Robin Red Lake Mines Limited as of January 1, 1978; consequently, certain figures for 1977 have been restated in the Financial Statements to make them comparative with 1978.

HIGHLIGHTS OF 1978

DICKENSON had a consolidated net income for 1978 of $2,327,000, equal to 66 cents per share. This represents an increase of $1,361,000, 144 per cent of $966,000, or 27 cents per share reported for the previous year. Total value of bullion production from the Red Lake mine rose 41 per cent to almost $13.6 million. Higher gold prices received, averaging $226.16 (Cdn.) an ounce, compared with $160.34 (Cdn.) an ounce in 1977, made the principal contribution to this improvement. The 1978 dividend was 10 cents per share, increased from 5 cents paid in each of the previous two years.

KAM-KOTIA had a consolidated net income for 1978 of $303,000 compared with $289,000 in the previous year, both equal to 7 cents per share. New and important investments made during 1978 sharply expanded Kam-Kotia's interests, particularly in oil and gas exploration and development. Reference to the more significant of these appears later in this report. The 1978 dividend of 4 cents per share was an increase from 2½ cents paid in 1977.

SILVANA (formerly Silmonac) is carrying out a major development program of its mine near New Denver, British Columbia. It is encouraging to note that world markets for silver, lead and zinc, the principal products from the Silvana mine, are in very favourable positions, and prices of these metals are at or near record levels.

OIL AND GAS interests of the Dickenson Group in Canada and the U.S. broadened considerably. Probably the most important factor in this expansion was the acquisition by Dickenson of additional holdings in CONVENTURES LIMITED, which would bring our participation in that company to 25 per cent, assuming the conversion of all outstanding convertible notes and debentures.

CORPORATE POLICY AND MARKETS

In view of increasingly larger and capital intensive projects being undertaken, progress is being made in the program commenced several years ago to strengthen the position of the Group, to coordinate corporate affiliations, and to facilitate their management and financing.

The Group continues to concentrate its efforts in the search for and development and production of precious minerals — gold and silver; and in energy resources — uranium, oil and gas. In our view, these will be the key resources in the years ahead.

This view is confirmed, in part, by continuing strength in world bullion markets.

Gold currently is trading at about $250.00 per ounce in United States currency, which is the equivalent of about $290.00 Canadian, demonstrating a strong demand for the metal. The regular U.S. gold auctions are consistently overbid, with the U.S. treasury recently reducing the size of the monthly auction from 1.5 million ounces to 750,000 ounces. This would appear to indicate a possible change in direction of official United States policy with respect to gold.

Silver should not be overlooked. The world price of silver has soared to more than $8.00 (U.S.) an ounce, the equivalent in Canadian currency being more than $9.16. Only two years ago, silver was trading in the range of $4.50 (U.S.) an ounce. The Dickenson Group produced 248,984 ounces of silver in 1978 (243,675 ounces at Silvana and 5,309 at Dickenson).

The prices for both metals reflect several factors — public concerns regarding the ever present inflation which has been destroying the purchasing power of paper money; unchecked profligate spending by politicians of most Western countries; supply-demand imbalances with shortages developing in the quantities of silver and gold available for commercial uses; as well as the uncertainties and unsettled conditions arising from the persistent energy crisis.

Deterioration in the Western world's energy position resulting from the Iranian crisis and OPEC price increases encourage your companies' efforts to build substantial assets in uranium and oil and gas, all of which we believe will be needed to meet the world's future energy requirements.

Gamma Ray Logging — New Mexico

Drill Pipe — Texas

The Dickenson Group's activities in the exploration and development of its uranium projects include important properties in New Mexico and Saskatchewan as well as a significant interest in known ore reserves in the Bancroft mining area of Ontario.

World uranium markets continue to indicate prices at most attractive levels — above $43.50 (U.S.) a pound U_3O_8. Although there is considerable concern regarding the use of uranium to generate electricity, it is difficult to see how the economies of industrialized nations can regain health without using uranium-powered generating plants for an increasing proportion of their energy needs in view of escalating costs of fossil fuels. Nuclear power provides approximately 15 to 18 per cent of U.S. power requirements; consequently, the U.S. government is committed to the further development of this energy source.

Investment in oil and gas can provide a more immediate generation of cash flow. The Dickenson Group embarked on a program of participation in the North American oil and gas industry only as recently as 1975.

Currently the Group has varying participations in 13 wells of which 7 are either producing or will be on stream during 1979. The investment in Conventures Limited is the single most important undertaking at a cost to date of approximately $10,280,000 in the form of common shares and debentures, including investments made in early 1979 when Dickenson

purchased from Teck Corporation $4.7 million of Conventures convertible debentures. Dickenson also advanced to Conventures $1,000,000 in exploration funds for which it received 125,000 common shares.

OUTLOOK

Several of the Group's undertakings merit close attention during 1979.

IN GOLD, deepening of the No. 2 internal shaft to open up five new levels was started at Dickenson in the latter part of 1978. This is expected to be completed during 1979. In the light of increasing demand for gold, a major re-evaluation of the extensive claim holdings in the Red Lake area of northwestern Ontario is being conducted in cooperation with other companies. The purpose of this re-evaluation of the geology and accumulated knowledge of the area is to indicate priorities for further exploration.

IN SILVER, the potential of the Silvana mine for much higher production should be realized with completion of the underground rehabilitation and development program presently in progress. Positive results from this project are already evident and are discussed more fully in the Review of Operations.

IN OIL AND GAS EXPLORATION, of special interest is the 1.8 per cent gross overriding royalty interest in 213,000 acres in the Beaufort Sea held by Kam-Kotia. This acreage is farmed out to Dome Petroleum, the pioneer in Beaufort exploration which has already reported oil and gas discoveries. Reports of Dome's drilling program for the coming season indicate the drilling of a well is expected to be undertaken approximately one to two miles to the east of the Kam-Kotia participation.

APPRECIATION

The progress of the past year could not have been made without the efforts of all those associated with the companies in the Dickenson Group. On behalf of the Boards of Directors of these companies, we extend sincerest appreciation to all employees and staff for an excellent effort.

Submitted on behalf of the Boards of

DICKENSON MINES LIMITED

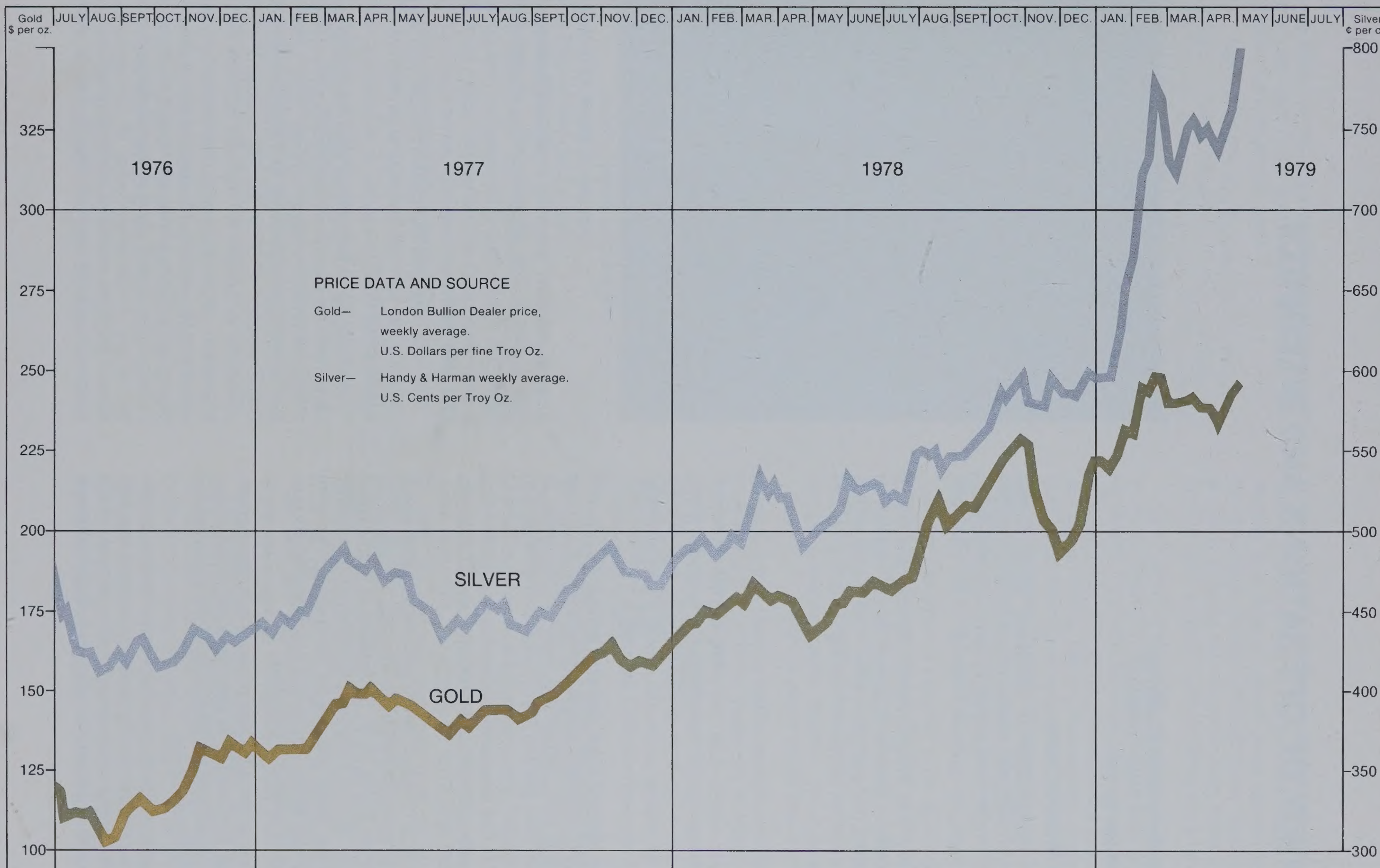
KAM-KOTIA MINES LIMITED

A. W. WHITE, President and Director

H. VANCE WHITE, Vice-President and Director

May 8, 1979

Rotary Drilling — New Mexico



Gold $ per oz.
Silver ¢ per oz.
JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUNE JULY
1976
1977
1978
1979
325 300 275 250 225 200 175 150 125 100
800 750 700 650 600 550 500 450 400 350 300
PRICE DATA AND SOURCE
Gold— London Bullion Dealer price, weekly average. U.S. Dollars per fine Troy Oz.
Silver— Handy & Harman weekly average. U.S. Cents per Troy Oz.
SILVER
GOLD

REVIEW OF OPERATIONS AND INTERESTS

DICKENSON MINES LIMITED
(Listed Toronto Stock Exchange)
(Kam-Kotia 20.1%)

GOLD PRODUCTION

The amalgamation of Dickenson Mines Limited and Robin Red Lake Mines Limited became effective June 30, 1978, following approval by shareholders at the annual and general meetings of the two companies.

During 1978, the gold mine in the Red Lake area of northwestern Ontario produced 59,957 ounces of gold and 5,309 ounces of silver. This is only slightly lower than the combined output of 60,012 ounces gold and 5,312 ounces silver produced by the Dickenson and Robin mines in 1977.

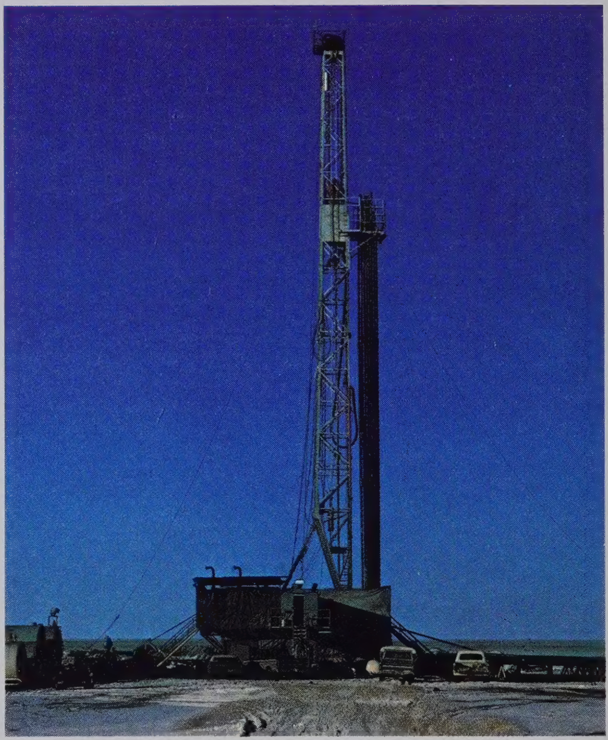
Production figures reflect a lower tonnage and a higher grade of ore milled. In 1978, 110,438 tons of ore were milled, down from 129,184 tons in 1977. The average grade of ore treated increased to 0.575 ounces per ton from 0.498 ounces, the highest grade for several years. Mill recovery also improved to 94.3 per cent from 93.1 per cent.

As a result of more diamond drilling (55,281 feet vs. 53,075 feet) and lateral development (8,175 feet vs. 8,028 feet), proven ore reserves increased to 350,909 tons grading 0.571 ounces of gold per ton from 336,622 tons grading 0.540 ounces at the end of 1977. Ore reserves increased further to 371,102 tons grading 0.557 ounces of gold per ton at March 31, 1979.

The $2.5 million underground internal shaft deepening program started late in the year, and should be completed during 1979. Completion of this program will allow for the potential development of a further five levels below the lowest workings on the 30th level where earlier test drilling has indicated encouraging gold reserve possibilities.

In view of the attractive prices and strong markets for gold, the decision to undertake this underground development and exploration program would appear to be most opportune.

At the same time, plans are being made to accelerate exploration activity on the company's interests in the Red Lake camp. As one of the pioneers of the area, Dickenson and its associates have extensive property interests, covering some 20,000 acres. The first phase of this program will commence this summer.



Oil and Gas Drilling — Texas

OIL AND GAS

With the improved cash flow from gold mining, the company has been able to expand its activities in the oil and gas industry.

The most significant actions taken were in its association with Conventures Limited. Dickenson joined it in several drilling projects directly. Your company also accelerated payment of its 1979 commitment to Conventures to 1978. In the first quarter of 1979 it undertook to provide $1,000,000 in funds for the acquisition, exploration and development of lands and leases by Conventures, and purchased the interest in Conventures previously owned by Teck Corporation. The overall result is that Dickenson now is the largest single shareholder of Conventures. It owns 1,005,076 shares plus a total of $5 million of notes convertible into 679,808 common shares.

Giving effect to the conversion, Dickenson would own 25 per cent of the outstanding shares of Conventures on a fully diluted basis.

Mr. Carl O. Nickle, the founder of Conventures, continues to direct the affairs of that company. He represents five shareholder groups which make up the controlling interest. Dickenson's expanded investment is an expression of our confidence in the continuing success of that company and its management.

In February, 1979, Dickenson acquired an undivided 25 per cent interest in two lease blocks totalling 8,960 acres in the Cutbank-Kakwa area of west central Alberta for 265,813 treasury shares issued to Kam-Kotia. In turn, Dickenson sold half of its participation to Conventures for 99,680 Conventures shares. Kam-Kotia retained a 12½ per cent interest. These lease blocks are being drilled by Dome Petroleum and Murphy Oil under a farmout agreement with Kam-Kotia. It is anticipated that additional drilling will take place on this acreage during the year.

Dickenson, Kam-Kotia and Silvana are participating in a farmout in the Palo Duro basin in West Texas. American Petrofina, as operator, recently drilled and abandoned, as a dry hole, the first well of what was to be a two-well program. Each company's interest is 5 per cent.

KAM-KOTIA MINES LIMITED

(Listed Toronto Stock Exchange)

(Dickenson 45.9%)

This investment and exploration company has recently been concentrating its activities in oil and gas. As a major shareholder of Dickenson (with a 20.1 per cent interest, increased from 16.8 per cent), Kam-Kotia benefits from improvements in Dickenson.

The company is in excellent financial condition with working capital at year end of $1,685,000. In addition, the company and its consolidated subsidiaries currently own the following major investments: 822,902 shares of Dickenson Mines with a market value of $5,451,000; and 1, 772,357 shares of Silvana Mines with a market value of $4,785,000.

One project to be undertaken during 1979 is a 12.5 per cent participation in drilling by Dome Petroleum in the Cutbank-Kakwa area. Additional drilling of this lease block will take place during 1979.

The company's participation in partnership with Dickenson and Silvana in the Palo Dura Basin of Texas and with Ego Resources Limited and United Macfie Mines Limited in the San Juan Basin of New Mexico both appear initially to be unsuccessful oil and gas plays. Further geological and seismic interpretation is being carried out on both these projects to determine whether further drilling is warranted.

Kam-Kotia, in early 1979, acquired a 6.25 per cent working interest in 15,340 acres in the Elmworth area of Alberta. This is the Musreau Lake-Kakwa block for which a group of eight companies paid a cash bonus to Alberta of $5.3 million. The working interest was purchased from Conventures which retains a 27.2 per cent working interest. The acreage is well located with indicated gas discoveries offsetting it on three sides. Drilling of this prospect will likely take place during the latter part of 1979.

Dome Petroleum is reported to be planning a well located one to two miles to the east of the Beaufort Sea permits in which Kam-Kotia has a 1.8 per cent gross overriding royalty interest. This investment could be of substantial value in the future.

SILVANA MINES INC.

(Listed Toronto Stock Exchange and Vancouver Stock Exchange)

(Kam-Kotia 39.0%)
(Carnegie 20.0%)
(Dickenson 4.5%)

Silvana is the Group's silver-lead-zinc producer in British Columbia, and is becoming of greater importance to the Group's potential mineral revenues.

As noted, prices of all three of the principal products have improved significantly, especially since mid-1978. Production in 1978 was valued at $1,896,000 and was obtained from 17,600 tons milled, averaging 14.84 ounces silver, 5.81 per cent lead and 4.34 per cent zinc. This compares with production of $2,309,000 from 17,499 tons averaging 19.34 ounces silver per ton, 7.41 per cent lead and 6.13 per cent zinc. The decline in production revenues was due largely to reduction in ore grades. These are expected to improve during 1979.

Rehabilitation of the 4,000 level required more work and time than was anticipated, and drifting to the west on the level began late in September. Exploration diamond drilling began in late October, and seven holes were drilled by the end of the year. The best intersection was a 5.2 foot section in hole 4004 that graded 40.47 ounces silver, 19.05 per cent lead and 7.28 per cent zinc. The cost of the program

for 1978 was $842,795, after crediting a grant from the British Columbia government under the Accelerated Mine Development Program of that Province. The original grant was for $200,000. Late in the year the company was advised an additional grant of $100,000 would be available in 1979.

To the end of April, 1979, 16 additional drill holes were completed from the 4,000 level, along a strike length of 800 feet. Five of these holes cut ore grade intersections at elevations from 4,240 feet to about 4,400 feet. This drilling has indicated a substantial mineralized zone with an inferred potential of 150,000 tons. It is open along strike to the east and down dip, and, to some extent, up dip as well. Further development work requiring crosscutting and drifting is necessary to provide drill bases to extend the zone. Management is optimistic that additional exploration and development will increase this tonnage.

The 4,000 No. 2 west lateral was advanced about 1,450 feet and No. 2 crosscut south about 170 feet when drifting was suspended about the middle of March, 1979, so that raising to connect the 4,000 level to the 4,625 workings could begin. Transfer and service raises were completed to required elevation on April 29, 1979, and the connection to the 4,300 east decline will be made early in May. This will allow development of the upper portion of the new zone to begin almost at once. Production through the 4,000 level should start in late May. Drifting and crosscutting on the 4,000 level resumed on May 1st, with the emphasis on further exploration of the new zone and development for production. It is now likely that by the end of 1979, production will have increased to mill capacity level, at least on a six-day week basis, or, about 3,000 tons per month. Progress during 1979 to date has been much better than expected.

The company enjoyed a strong working capital position at the end of the first quarter of 1979 of about $1,000,000 with operating profit at the same time being $315,000.

CONVENTURES LIMITED
(Listed Alberta Stock Exchange)
(Dickenson 18.2%)

We are including this brief summary of Conventures because of the importance of this investment to the Dickenson Group. Recent market value of the Dickenson Group's holdings of Conventures is in excess of $14,000,000.

Conventures had record net earnings in 1978 of $4.96 million, or $1.04 per weighted average share outstanding. This is more than triple the $1.26 million, or 30 cents per share reported for 1977.

The increase largely reflects capital gains, mainly on the sale of shares of Ashland Oil Canada in which Conventures had a large interest. It also reported substantial increases in oil and gas cash flow and in the profitability of 22 per cent owned Alberta Natural Gas Company.

Conventures initiated modest dividends late in 1977, and in 1978 paid 4 cents per share. This is being doubled to 8 cents per share in 1979.

In the first quarter of 1979, Dickenson subscribed $1 million of drilling funds which have been expended in Conventure's 1979 western Canadian program. Dickenson received one share of Conventures for each $8.00 expended and will also receive the related development credits under Canadian taxation provisions.

NEW CINCH URANIUM LTD. (N.P.L.)
(Listed Vancouver Stock Exchange)
(Dickenson 17.9%)
(Kam-Kotia 21.3%)

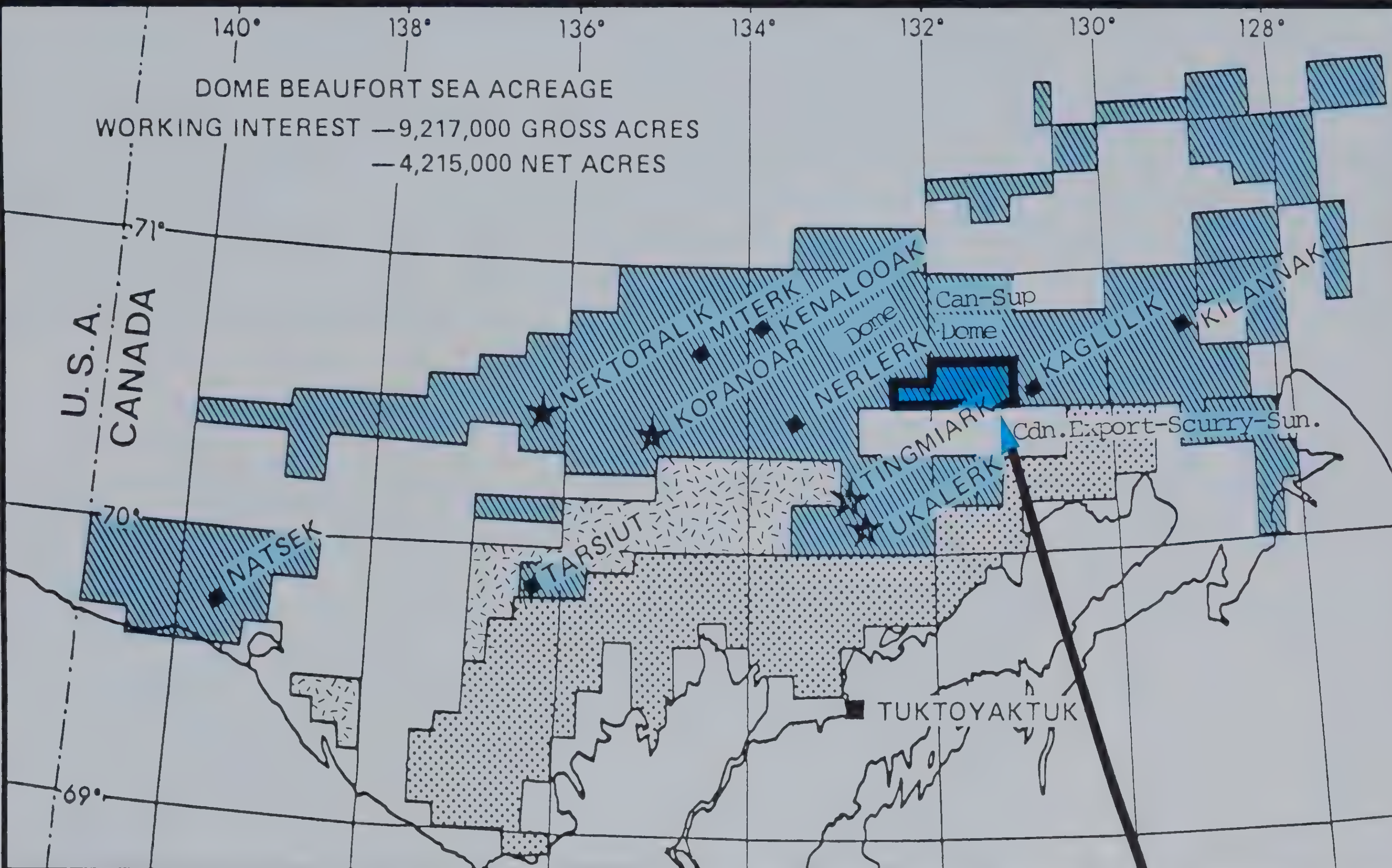
New Cinch continues to concentrate its activities in New Mexico where exploration has indicated a large low-grade uranium deposit containing in excess of 8 million pounds of U_3O_8. This deposit is considered potentially suitable for in-situ leaching. Metallurgical studies are underway.

Preliminary discussions are being held with the U.S. Department of Energy with a view to assistance in financing an in-situ pilot plant on the Mesa Portales uranium deposit. As part of their preliminary investigation, the Department of Energy intends to reassess in excess of 100 rotary drill holes to establish grade by use of a sophisticated neutron fission probe. Preliminary results indicate that the grades in this deposit could improve from 50 to 200 per cent over grades obtained by the previous conventional natural gamma-ray logging equipment.

New Cinch holds about 200,000 shares of Cenex Ltd. which has initiated production from its property in the Beaverlodge uranium area of northern Saskatchewan. Cenex is currently shipping ore to the nearby milling plant of the government-owned Eldorado Nuclear.

May 8, 1979

BEAUFORT SEA



OFFSHORE ACREAGE

- DOME
- IMPERIAL
- GULF

★ DOME 1977 - 1978 DRILLING

◆ DOME 1979 DRILLING PROGRAM

KAM-KOTIA Mines owns 1.8% Gross Royalty, CONVENTURES owns 0.9% Gross Royalty, on 213,298 acres of Permits held by Hunt Interests, optioned to Dome Petroleum Ltd.

DICKENSON MINES LIMITED

DIRECTORS	A. W. WHITE .... Orangeville, Ont.
	C. R. DIEBOLD .... Buffalo, N.Y.
	F. A. FELL .... Toronto, Ont.
	D. F. BURT .... Toronto, Ont.
	F. R. GRAHAM .... Montreal, P.Q.
	J. GEDDES .... Mississauga, Ont.
	D. I. JOHNSTON .... Cambridge, Ont.
	H. V. WHITE .... Toronto, Ont.
	G. H. SCOTT .... Willowdale, Ont.
OFFICERS	ARTHUR W. WHITE .... President
	CHARLES R. DIEBOLD .... Vice-President
	H. V. WHITE .... Vice-President, Corporate Development
	H. RODNEY HEARD .... Secretary-Treasurer
	JAMES GEDDES .... Assistant Treasurer
	H. S. DOLSON .... Assistant Secretary
HEAD OFFICE	390 Bay Street, Suite 1402 .... Toronto, Ont. Telephone 361-0402
MINE MANAGER	Robert P. Tapper, P.Eng.
MINE OFFICE	Balmertown, Ontario
AUDITORS	Gardner, McDonald & Co. .... Toronto, Ont.
BANKERS	Canadian Imperial Bank of Commerce .... Toronto, Ont. The Bank of Nova Scotia .... Toronto and Balmertown, Ont.
REGISTRAR AND TRANSFER AGENTS	National Trust Company Limited .... Toronto, Ont. Bank of New York .... New York City, N.Y. The First Jersey National Bank .... Jersey City, N.J.
STOCK LISTED	Toronto Stock Exchange — symbol DML
ANNUAL AND GENERAL MEETING	Monday, June 11, 1979 at 10:30 a.m. (Toronto Time) Manitoba Room, Royal York Hotel, Toronto, Ontario

SUMMARY

5 Year Record

The figures for 1977 have been restated to give comparative effect to the amalgamation of Dickenson Mines Limited and Robin Red Lake Mines Limited.

	1978	1977	1976	1975	1974
			Consolidated with Robin Red Lake Mines		
Bullion Production *	$ 13,560	$ 9,650	$ 6,863	$ 9,587	$ 10,935
Depreciation *	627	552	326	223	173
Other Income *	234	253	218	253	274
Minority interest *	—	—	25	236	354
Net Profit before extraordinary item *	2,341	1,041	124	2,038	3,079
Net Profit after extraordinary item *	2,327	966	84	2,056	1,611
Net Profit per share	66¢	29¢	4¢	62¢	93¢
Net Profit per share after extraordinary items	66¢	27¢	3¢	63¢	49¢
Dividends paid per share	10¢	5¢	5¢	35¢	35¢
Shares issued	3,826,964		3,556,000		
Tons of ore milled *	110	129	117	126	151
Grade (ozs/ton) Millheads	0.576	0.499	0.509	0.508	0.491
Ozs. of gold produced	59,957	60,019	55,488	59,631	68,094
Ore Reserves (tons) *	351	336	357	393	437
Grade (ozs/ton)	0.571	0.540	0.536	0.538	0.532
Employees	250	242	230	235	223
Shareholders	3,700	4,000	4,200	4,400	4,400
Share Price Range — High	7.63	5.88	6.50	10.38	12.00
— Low	4.60	3.55	2.40	4.45	4.35

* In thousands.

ASSETS

	1978	1977 (note 2)
Current		
Cash and short-term deposits	$ 597,000	$ 273,000
Bullion on hand and in transit at net realizable value	849,000	853,000
Accounts receivable	240,000	161,000
Marketable securities, at cost (quoted market value $705,000; 1977 — $729,000)	703,000	712,000
Income and mining taxes recoverable	—	334,000
Prepaid expenses	32,000	28,000
	2,421,000	2,361,000
Long-Term Investments (note 5)	4,397,000	4,034,000
Oil and Gas Interests (note 6)	2,835,000	1,583,000
Fixed, at cost		
Buildings, machinery and equipment	9,976,000	9,437,000
Less: Accumulated depreciation	7,592,000	6,995,000
	2,384,000	2,442,000
Mining claims	396,000	396,000
Townsite lots	143,000	136,000
	2,923,000	2,974,000
Other, at cost		
Interest in and expenditure on outside mining properties	1,164,000	511,000
Interest in and direct expenditure on oil and gas properties	196,000	88,000
Stores and supplies	1,391,000	1,053,000
Deposits	6,000	6,000
Deferred charges	179,000	326,000
	2,936,000	1,984,000
	$15,512,000	$12,936,000

Consolidated Balance Sheet

December 31, 1978

LIABILITIES

	1978	1977 (note 2)
Current		
Bank indebtedness (note 11(b))	$ —	$ 277,000
Accounts payable	1,346,000	998,000
Income and mining taxes payable	436,000	376,000
	1,782,000	1,651,000
Deferred Income Taxes	1,038,000	538,000

SHAREHOLDERS' EQUITY

	1978	1977
Capital Stock (note 2)		
Authorized 7,500,000 shares without par value		
Issued 3,826,964 shares	3,807,000	3,807,000
Contributed Surplus (note 3)	1,436,000	1,430,000
Retained Earnings (note 2)	8,530,000	6,556,000
	13,773,000	11,793,000
Deduct: Company's share of Kam-Kotia Mines Limited holdings of 616,789 shares (596,709 in 1977) of Dickenson Mines Limited at a cost to Kam-Kotia of $2,295,000 ($2,154,000 in 1977)	1,081,000	1,046,000
	12,692,000	10,747,000
	$15,512,000	$12,936,000

Approved by the Board of Directors:

A. W. WHITE, Director

JAMES GEDDES, Director

See notes to financial statements.

Consolidated Statement of Income

For the year ended December 31, 1978

	1978	1977 (note 2)
Revenue		
Bullion production	$13,594,000	$ 9,650,000
Expense		
Mining	5,103,000	4,879,000
Milling	1,453,000	1,238,000
Mine management, office and general	1,737,000	1,242,000
Shaft deepening	604,000	—
Head office administration and general	545,000	444,000
Marketing	65,000	53,000
	9,507,000	7,856,000
Operating Income Before Undernoted Items	4,087,000	1,794,000
Depreciation	627,000	552,000
Outside exploration written off	9,000	28,000
	636,000	580,000
Income From Mining Operations	3,451,000	1,214,000
Investment and Other Income		
Dividends, interest and net results of security transactions	234,000	253,000
Share of net income of companies accounted for by the equity method	94,000	115,000
	328,000	368,000
Income Before Taxes and Extraordinary Item	3,779,000	1,582,000
Income and Mining Taxes		
Income taxes — current	756,000	288,000
— deferred	500,000	123,000
Mining taxes	182,000	130,000
	1,438,000	541,000
Income Before Extraordinary Item	2,341,000	1,041,000
Share of extraordinary losses of companies accounted for by the equity method	14,000	75,000
Net Income for the Year	$ 2,327,000	$ 966,000
Earnings per share:		
Before extraordinary item	$ 0.66	$ 0.29
After extraordinary item	0.66	0.27

See notes to financial statements.

Consolidated Statement of Retained Earnings

For the year ended December 31, 1978

	1978	1977 (note 2)
Balance at Beginning of the Year	$ 6,556,000	$ 5,753,000
Net income for the year	2,327,000	966,000
	8,883,000	6,719,000
Dividends paid — 10¢ per share (5¢ per share in 1977)	353,000	163,000
Balance at End of the Year	$ 8,530,000	$ 6,556,000

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1978

	1978	1977 (note 2)
Source of Funds		
Funds provided from operations (note 10)	$ 3,348,000	$ 1,580,000
Decrease in stores and supplies	—	93,000
Decrease in deferred charges	147,000	—
Increase in contributed surplus (note 3)	6,000	—
	3,501,000	1,673,000
Application of Funds		
Dividends paid	353,000	163,000
Purchase of fixed assets	575,000	764,000
Increase in stores and supplies	338,000	—
Investment in and advances to other companies	1,545,000	733,000
Exploration expenditure on outside mining, gas and oil properties (net)	761,000	106,000
Increase in deferred charges	—	14,000
	3,572,000	1,780,000
Decrease in Funds During the Year	71,000	107,000
Funds at Beginning of the Year	710,000	817,000
Funds at End of the Year	$ 639,000	$ 710,000
Represented by working capital:		
Current assets	$ 2,421,000	$ 2,361,000
Less: Current liabilities	1,782,000	1,651,000
	$ 639,000	$ 710,000

See notes to financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 1978

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies adopted by the company are in accordance with accounting practices followed by the mining industry in Canada.

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the company and all subsidiaries.

(b) Long-term Investments

The investment in shares of companies over which Dickenson exercises significant influence is accounted for by the equity method whereby cost of the shares is adjusted by the company's share of their earnings or losses since significant influence was acquired.

Other long-term investments are carried at cost with an allowance for estimated decline in value of investments below the stated cost.

(c) Exploration and Development Expenditure

Interest in and expenditure on outside mining, gas and oil properties is deferred in the accounts to be amortized when production from them is attained or the balance thereof written off when disposition occurs.

(d) Depreciation and Depletion

Land, buildings, machinery and equipment are carried at cost. When such assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts. Any gain or loss on retirements or disposals is reflected in the statement of income for the year. Depreciation is recorded in the accounts on the straight-line method at the rate of 15% per annum on buildings, machinery and equipment.

In view of the value at which the mining claims are carried in the accounts, the company has never followed the practice of providing for depletion.

(e) Income Taxes

The company and its subsidiaries follow the tax allocation method of accounting whereby the provision for income taxes is based upon income reported in the accounts after providing for allowances permissable under Federal and Provincial taxation statutes. Any difference between these taxes and taxes currently payable for the year which arise from allowances claimed for depreciation and exploration expenditures for income tax purposes in excess of those recorded in the accounts is reflected as deferred income taxes.

2. AMALGAMATION

The consolidated financial statements give effect as of January 1, 1978, to the statutory amalgamation (under The Business Corporations Act of Ontario) of Dickenson Mines Limited (Dickenson) and its subsidiary Robin Red Lake Mines Limited (Robin) into the continuing corporation, Dickenson Mines Limited, pursuant to an Amalgamation Agreement dated June 30, 1978, and the granting of a Certificate of Amalgamation on June 30, 1978. The comparative figures on the consolidated balance sheet and earnings per share for 1977 have been restated to give effect to this amalgamation which resulted in the following:

(a) Capital Stock

(i) The 2,322,588 issued shares without par value of Robin held by Dickenson immediately prior to the date of the issuance of a Certificate of Amalgamation were cancelled without any repayment of capital and no shares of the amalgamated company were issued in respect thereof.

(ii) The conversion of the issued 3,556,000 shares with a par value of $1.00 each in the capital of Dickenson into 3,556,000 common shares without par value of the amalgamated company, Dickenson Mines Limited.

(iii) The conversion of the remaining 677,412 issued shares without par value in the capital of Robin into 270,964 shares without par value of the amalgamated company, Dickenson Mines Limited.

In accordance with the requirements of The Business Corporations Act of Ontario, the issued capital of the amalgamated company (after adjustment for the shareholdings of Dickenson in Robin, 77.4%), is equal to the aggregate of the issued capital of each of the amalgamating companies immediately before the amalgamation.

(b) Equity of Minority Shareholders

The equity of the minority shareholders in Robin originally shown as amounting to $469,000 as at December 31, 1977 has been allocated in the balance sheet as follows:

The capital stock of Robin attributable to the minority shareholders credited to the capital stock of the amalgamated company	$ 178,000
The retained earnings of Robin attributable to the minority shareholders credited to the retained earnings of the amalgamated company	291,000
	$ 469,000

3. CONTRIBUTED SURPLUS

The increase in contributed surplus represents the gain on the sale prior to amalgamation of 10,000 shares of Robin Red Lake Mines Limited held by Robin.

4. INTEREST IN AND EXPENDITURE ON MINING PROPERTIES AND INVESTMENTS IN OTHER MINING COMPANIES

Dickenson's interest in and expenditure on its own outside mining, oil and gas properties in the amount of $1,360,000 can only be realized from the future commercial success of those properties or the proceeds from disposition thereof.

Dickenson's proportion of the unamortized interest in and expenditure on mining properties and investments in other mining companies accounted for herein on the equity basis amounting to $2,708,000 can be realized only from future commercial success of those companies or the proceeds from disposition of the applicable properties.

5. LONG-TERM INVESTMENTS

	1978	1977 (note 2)
Investments in companies accounted for by the equity method:		
Shares		
Kam-Kotia Mines Limited		
2,112,108 shares (2,097,608 in 1977) (quoted market value $9,293,000; 1977 — $2,202,000)	$2,526,000	$2,450,000
Other (quoted market value $2,144,000; 1977 — $548,000)	2,512,000	838,000
	5,038,000	3,288,000
Loans and advances, at cost	92,000	104,000
	5,130,000	3,392,000
Portfolio investments, at cost		
Listed shares (quoted market value $592,000; 1977 — $486,000)	607,000	1,999,000
Other shares, bonds, advances and participations	681,000	711,000
	1,288,000	2,710,000
	6,418,000	6,102,000
Less: Allowance for decline in value	2,021,000	2,068,000
	$4,397,000	$4,034,000

The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than that indicated by market quotations.

6. OIL AND GAS INTERESTS, at cost

	1978	1977 (note 2)
Investment in Conventures Limited (note 7)		
772,896 shares (378,000 shares in 1977) (quoted market value $6,570,000; $3,118,000 in 1977)	$2,535,000	$1,139,000
Notes	300,000	300,000
Funds committed but not expended by December 31	—	144,000
	$2,835,000	$1,583,000

Interest-bearing notes issued by Conventures Limited are due January 1, 1980, and are convertible into common shares of Conventures at $3.25 each at any time up to December 31, 1979.

7. CONVENTURES AGREEMENT

Pursuant to the agreement dated May 13, 1975 with Conventures, prior to December 31, 1978, the company met all of its commitments in full including the expenditure of $450,000 in drilling, exploration and development on Conventures' lands scheduled for 1979. By December 31, 1978 the company had expended $2,106,288 under the May 13, 1975 agreement and in consideration therefor received 702,096 shares of Conventures.

8. LOAN TO OFFICER

As at December 31, 1978, there was a loan outstanding to an officer of the company in the amount of $16,000 secured by an interest-bearing real estate mortgage. Subsequent to the year end, the loan was repaid in full.

9. STATUTORY INFORMATION

Remuneration of directors and senior officers during the year ended December 31, 1978, amounted to $163,000 ($156,000 in 1977).

In addition, the company paid $201,000 during the year ended December 31, 1978, ($189,000 in 1977) to Mid-North Engineering Services Limited for management, accounting, secretarial and office services.

10. FUNDS PROVIDED FROM OPERATIONS

	1978	1977 (note 2)
Income before extraordinary item	$2,341,000	$1,041,000
Charges (credits) not affecting funds		
Depreciation	627,000	552,000
Outside exploration written off	9,000	28,000
Deferred income taxes	500,000	123,000
Share of net income of companies accounted for by the equity method	(94,000)	(115,000)
Other	(35,000)	(49,000)
	$3,348,000	$1,580,000

11. SUBSEQUENT EVENTS

(a) By agreement dated December 18, 1978, the company committed to expend $1,000,000 in 1979 in the acquisition, exploration and development of land for Conventures Limited in consideration of the issuance by Conventures of shares of its capital stock to the company at a rate of $8.00 per share. The company and Conventures have complied with all terms of this agreement.

(b) On January 12, 1979, the company purchased $4,700,000 Conventures Limited interest bearing notes, due January 1, 1982, convertible into shares of Conventures at $8.00 per share on or before December 31, 1981, for $5,300,000 plus accrued interest. This purchase was financed by a bank loan in the amount of $5,300,000 payable on demand. Terms for repayment are being arranged. All of the notes and 497,796 shares of Conventures owned by the company have been hypothecated to the bank as collateral.

(c) In February 1979, the company purchased from Kam-Kotia Mines Limited an interest in its Grande Prairie oil and gas leases in exchange for 265,813 treasury shares of the company, valued at $6.00 per share. The company sold one-half of the interest so acquired to Conventures in exchange for 99,680 shares of Conventures, valued at $8.00 per share.

AUDITORS' REPORT

To the Shareholders
Dickenson Mines Limited

We have examined the consolidated balance sheet of Dickenson Mines Limited (formed through the statutory amalgamation explained in note 2) as at December 31, 1978, and the consolidated statements of income, retained earnings and changes in financial position of the company and its predecessor companies for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For other companies accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

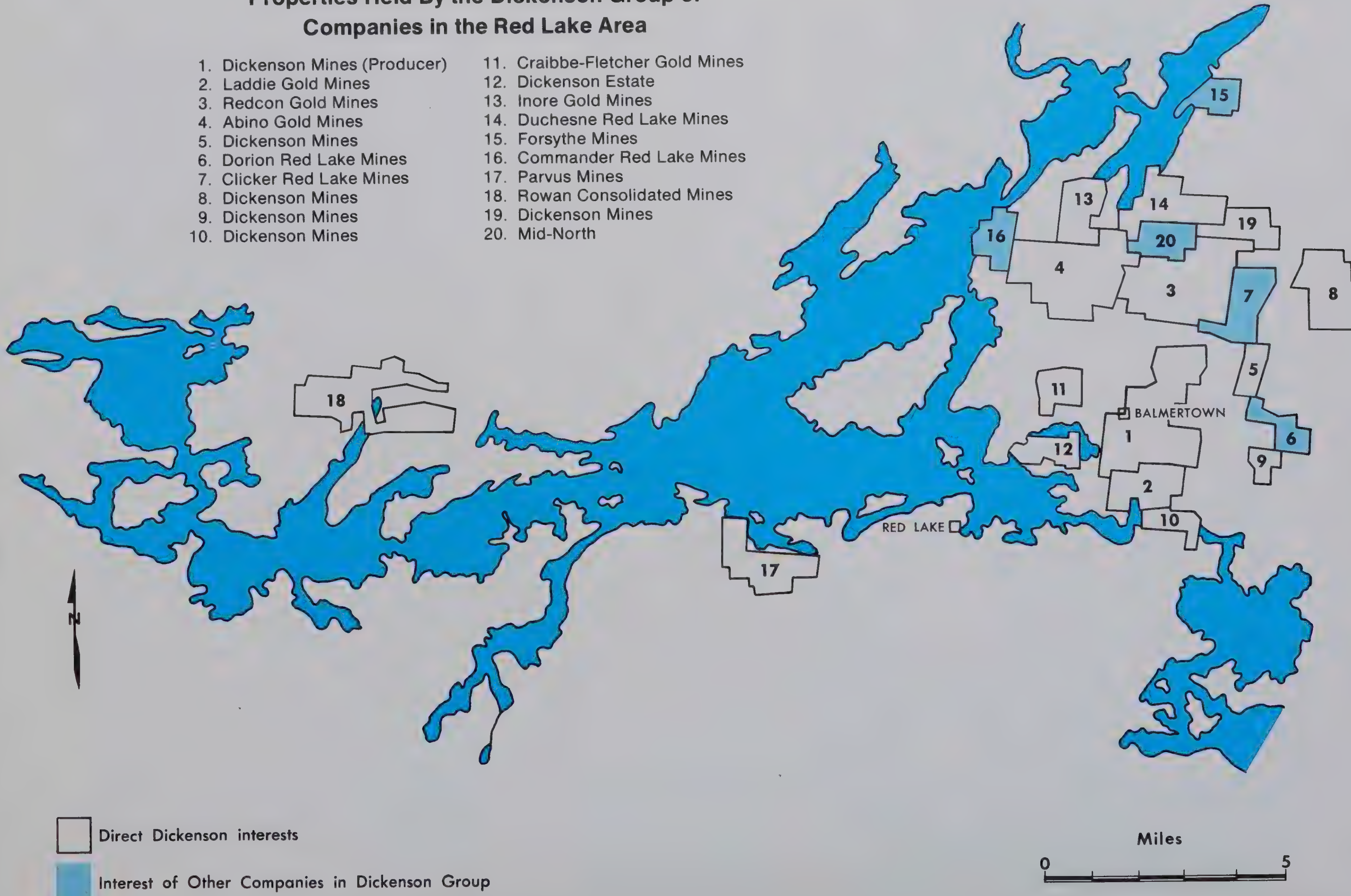
In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of the operations and the changes in the financial position of the company and its predecessor companies for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the predecessor companies in the preceding year.

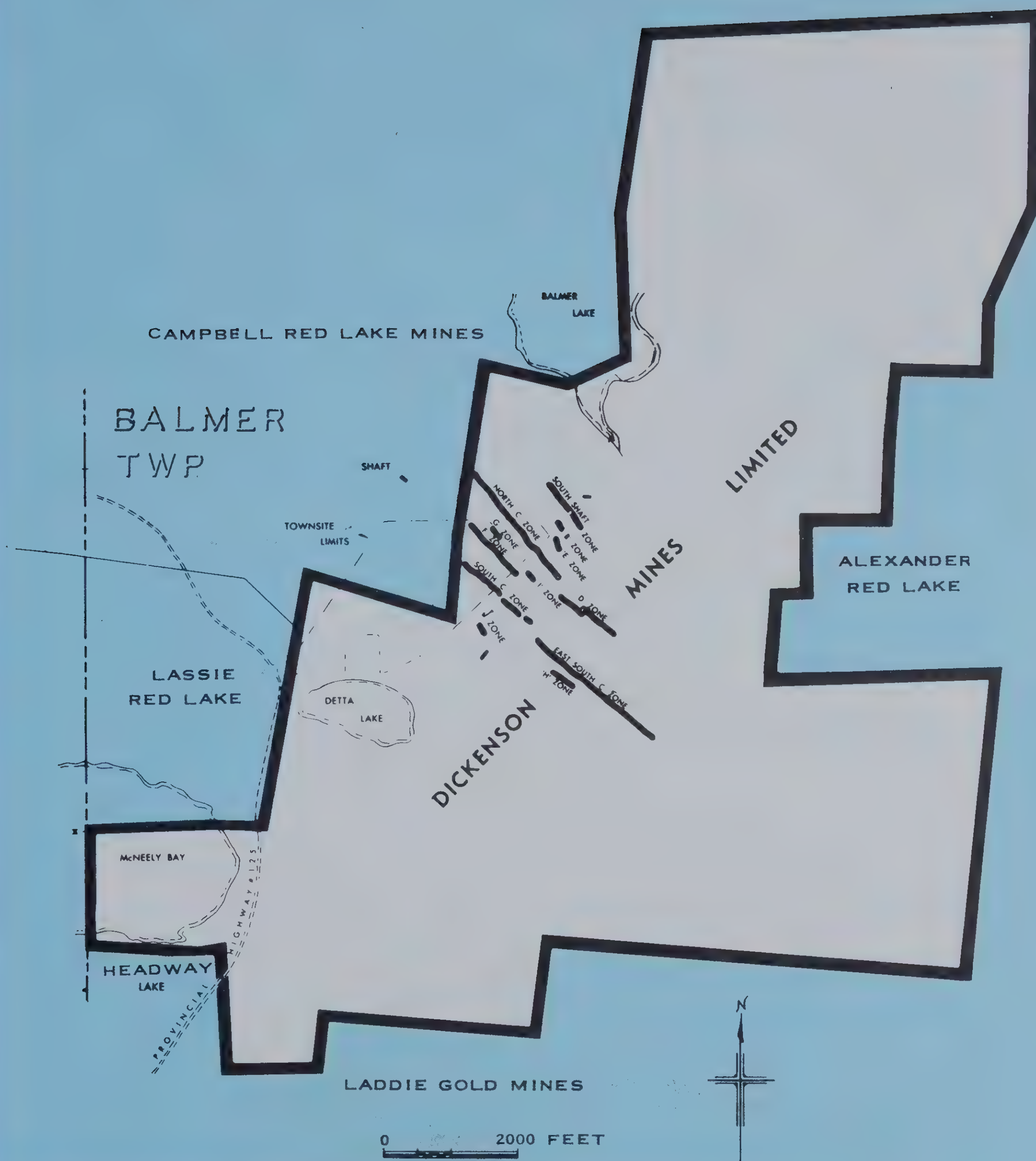
Toronto, Ontario
March 26, 1979

GARDNER, McDONALD & CO.
Chartered Accountants

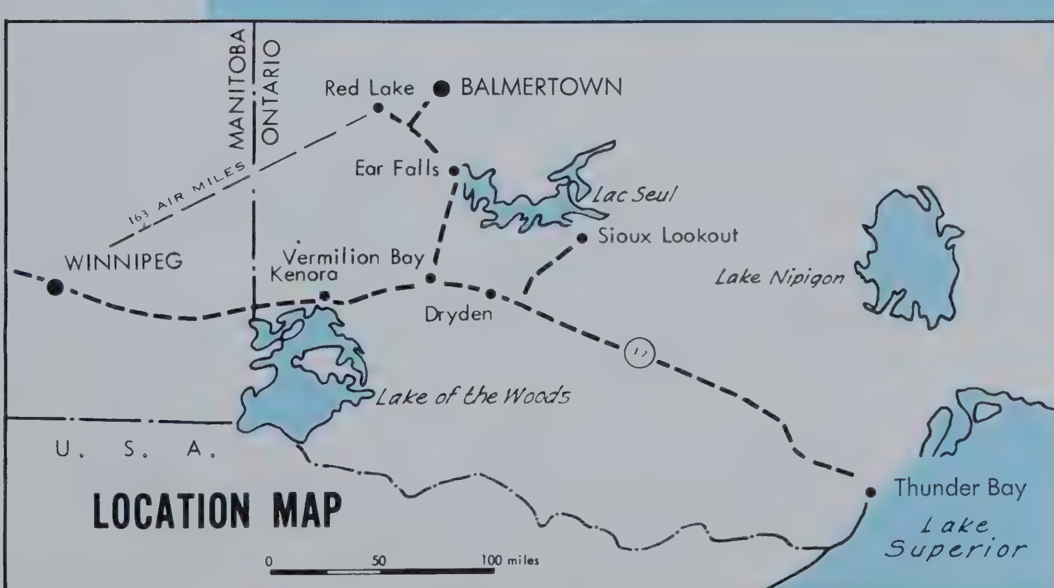
Properties Held By the Dickenson Group of Companies in the Red Lake Area

1. Dickenson Mines (Producer)
2. Laddie Gold Mines
3. Redcon Gold Mines
4. Abino Gold Mines
5. Dickenson Mines
6. Dorion Red Lake Mines
7. Clicker Red Lake Mines
8. Dickenson Mines
9. Dickenson Mines
10. Dickenson Mines
11. Craibbe-Fletcher Gold Mines
12. Dickenson Estate
13. Inore Gold Mines
14. Duchesne Red Lake Mines
15. Forsythe Mines
16. Commander Red Lake Mines
17. Parvus Mines
18. Rowan Consolidated Mines
19. Dickenson Mines
20. Mid-North





CAMPBELL RED LAKE MINES
BALMER LAKE
BALMER TWP
SHAFT
TOWNSITE LIMITS
DICKENSON MINES LIMITED
ALEXANDER RED LAKE
LASSIE RED LAKE
DETTA LAKE
McNEELY BAY
HEADWAY LAKE
PROVINCIAL HIGHWAY 125
LADDIE GOLD MINES
N
0 2000 FEET



MANITOBA
ONTARIO
Red Lake
BALMERTOWN
163 AIR MILES
Ear Falls
Lac Seul
Sioux Lookout
WINNIPEG
Vermilion Bay
Kenora
Dryden
Lake Nipigon
11
Lake of the Woods
U. S. A.
LOCATION MAP
Thunder Bay
Lake Superior
0 50 100 miles

REPORT OF OPERATIONS — DICKENSON MINES

	DICKENSON 1978		DICKENSON and ROBIN* 1977	
Ore Milled	110,438	tons	129,184	tons
Recovery — Gold	59,956.764	ounces	60,018.930	ounces
— Silver	5,309.454	ounces	5,312.469	ounces
Grade of Ore Milled — Gold	0.575	ounces per ton	0.498	ounces per ton
Average Value Received — Gold	$ 226.16	per ounce	$ 160.34	per ounce
Total Value Received — Gold	$13,559,993.42		$9,623,173.21	
— Silver	$ 34,238.52		$ 26,525.27	

MINING

	1978	1977
Development (Drawn Tons)	9,025	13,245
Stopes and Stope Development (Drawn Tons)	100,658	115,926
Total Break in Tons	105,218	117,745
Total Tons Hoisted	109,801	129,154

	TONS	GRADE	TONS	GRADE
Broken Ore Reserves	27,395	0.440	32,578	0.440

MILLING

Summary of Mill Operations with the previous year given for comparison

	1978	1977
Tons Treated	110,438	129,184
Percent Operating Time	78.10	86.09
Tons Treated Per Day	302.57	353.93
Average Value of Millheads in ounces of Gold per ton	0.576	0.499
Average Value of Milltails in ounces of Gold per ton	0.033	0.034
Recovery in ounces of Gold per ton	0.543	0.465
Percent Recovery	94.29	93.13

DEVELOPMENT

	1978	1977
Crosscutting (Includes Slashing)	2,284.4′	2,171.0′
Drifting (Includes Slashing)	3,547.3′	3,415.4′
Raising (Includes Slashing)	2,343.4′	2,442.3′
Underground Diamond Drilling	55,281.0′	52,075.0′

PROVEN ORE RESERVES

Dickenson

At December 31, 1977	*336,622 tons grading 0.540 ozs. gold per ton
At December 31, 1978	350,909 tons grading 0.571 ozs. gold per ton
Increase	14,287 tons

Location of the ore reserves — 95 percent between 6th and 30th levels.

* Robin and Dickenson included for comparison.

R. P. TAPPER,
Mine Manager

KAM-KOTIA MINES LIMITED

DIRECTORS	A. W. WHITE	Orangeville, Ontario
	G. W. WALKEY	Toronto, Ontario
	D. F. BURT	Toronto, Ontario
	J. GEDDES	Mississauga, Ontario
	H. V. WHITE	Toronto, Ontario
	R. A. HALET	Toronto, Ontario
	H. I. MILLER	Weston, Ontario
OFFICERS	A. W. WHITE	President
	G. W. WALKEY	Vice-President and General Manager
	H. V. WHITE	Vice-President — Corporate Development
	H. R. HEARD	Secretary-Treasurer
	J. GEDDES	Assistant Secretary
	H. S. DOLSON	Assistant Treasurer

NEW DENVER DIVISION

Mine Manager — Wm. HOGG

Mine Office Address — New Denver, British Columbia

HEAD OFFICE — 390 Bay Street, Suite 1402, Toronto, Ontario
Telephone 361-0402

TRANSFER AGENTS AND REGISTRAR — National Trust Company Limited, Toronto, Ontario
Canadian Bank of Commerce Trust Company, New York, N.Y.

STOCK LISTED — Toronto Stock Exchange — Symbol KKL

SOLICITORS — Burt, Burt, Wolfe & Bowman, Toronto, Ontario

AUDITORS — Thorne Riddell & Co., Toronto, Ontario

BANKERS — Canadian Imperial Bank of Commerce
Royal Bank of Canada

ANNUAL AND GENERAL MEETING — Monday, June 11, 1979 at 2:00 p.m. (Toronto Time)
Manitoba Room, Royal York Hotel, Toronto, Ontario

KAM-KOTIA MINES LIMITED

(Incorporated under the laws of Ontario)

ASSETS

	1978	1977
Current Assets		
Cash and short term deposits	$ 479,000	$ 705,000
Marketable securities, at cost (quoted market value 1978, $893,000; 1977, $1,194,000)	795,000	1,143,000
Accounts receivable	347,000	422,000
Mortgage receivable (since received)	125,000	
Concentrates on hand and in transit, net (note 1(b))	392,000	665,000
	2,138,000	2,935,000
Investments in Mining Companies, at cost less allowance for decline in value (note 2)	4,305,000	4,134,000
Oil and Gas Interests, at cost (note 4)	646,000	328,000
Fixed Assets		
Buildings, machinery and equipment, at cost (note 5)	1,223,000	846,000
Less accumulated depreciation	687,000	661,000
	536,000	185,000
Mining claims and properties, at cost less depletion	447,000	483,000
Land, at cost	24,000	24,000
	1,007,000	692,000
Other Assets		
Notes receivable	20,000	30,000
Mortgages receivable	11,000	137,000
Deferred development costs (note 5)	661,000	35,000
Supplies, at average cost	57,000	46,000
Other assets and deferred exploration	293,000	38,000
	1,042,000	286,000
	$ 9,138,000	$ 8,375,000

Consolidated Balance Sheet

as at December 31, 1978

LIABILITIES

	1978	1977
Current Liabilities		
Accounts payable and accrued liabilities	$ 451,000	$ 555,000
Taxes payable	2,000	4,000
	453,000	559,000
Minority Interest (note 3)	1,250,000	601,000

SHAREHOLDERS' EQUITY

	1978	1977
Capital Stock (notes 6 and 10)		
Authorized — 5,000,000 shares without par value		
Issued — 4,482,000 shares (1977, 4,321,500 shares)	4,057,000	3,961,000
Retained Earnings	3,378,000	3,254,000
	7,435,000	7,215,000
	$ 9,138,000	$ 8,375,000

Approved by the Board

A. W. WHITE, Director

JAMES GEDDES, Director

KAM-KOTIA MINES LIMITED

Consolidated Statement of Income

Year Ended December 31, 1978

	1978	1977
Mining		
Revenue		
Metal recovery, gross value	$ 2,802,000	$ 3,386,000
Transportation and treatment costs	907,000	1,077,000
	1,895,000	2,309,000
Expenses		
Exploration and development	608,000	560,000
Mining	545,000	479,000
Milling	304,000	350,000
Mine management, office and general property	165,000	232,000
	1,622,000	1,621,000
Operating income before undernoted items	273,000	688,000
Depreciation and depletion	44,000	11,000
Mine lease costs		199,000
	44,000	210,000
Income from mining operations	229,000	478,000
Head office, administration and general	295,000	316,000
Outside exploration expenditures written off	1,000	17,000
Mining claims written off		10,000
	296,000	343,000
	(67,000)	135,000
Investment and other income		
Dividends from Dickenson Mines Limited	61,000	30,000
Other dividends, interest and royalties	123,000	156,000
Profit on sale of securities	262,000	174,000
	446,000	360,000
Income before income taxes, minority interest and extraordinary items	379,000	495,000
Income taxes (recoverable) of subsidiary company	(1,000)	4,000
	380,000	491,000
Minority interest in net income of subsidiary companies	48,000	23,000
Income before extraordinary items	332,000	468,000
Extraordinary items (note 7)	(29,000)	(179,000)
NET INCOME	$ 303,000	$ 289,000
EARNINGS PER SHARE		
Income before extraordinary items	$.074	$.108
Net income	$.068	$.067

KAM-KOTIA MINES LIMITED

Consolidated Statement of Retained Earnings

Year Ended December 31, 1978

	1978	1977
Balance at Beginning of Year	$ 3,254,000	$ 3,073,000
Net income	303,000	289,000
	3,557,000	3,362,000
Dividends paid — 4¢ per share (2½¢ per share in 1977)	179,000	108,000
Balance at End of Year	$ 3,378,000	$ 3,254,000

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1978

	1978	1977
Working Capital Derived From		
Operations (note 9)	$ 165,000	363,000
Proceeds from sale of investments in mining companies	100,000	196,000
Proceeds on sale of land, buildings and equipment		271,000
Issue of shares under the stock option plan	96,000	19,000
Working capital of subsidiary acquired, net		225,000
Proceeds from sale of Silvana shares and warrants (note 3)	852,000	
Mortgage receivable	125,000	
	1,338,000	1,074,000
Working Capital Applied To		
Increase in investment in mining companies	256,000	168,000
Exploration expenditures on oil and gas interests and mining properties	569,000	105,000
Additions to fixed assets	377,000	180,000
Deferred development costs	626,000	35,000
Dividends paid	179,000	108,000
Other items	22,000	23,000
	2,029,000	619,000
Increase (Decrease) in Working Capital	(691,000)	455,000
Working Capital at Beginning of Year	2,376,000	1,921,000
Working Capital at End of Year	$ 1,685,000	$ 2,376,000
Represented by		
Current assets	$ 2,138,000	$ 2,935,000
Current liabilities	453,000	559,00
	$ 1,685,000	$ 2,376,000

KAM-KOTIA MINES LIMITED

Notes to Consolidated Financial Statements

December 31, 1978

1. ACCOUNTING POLICIES

(a) Consolidation policy

These consolidated financial statements include the accounts of the company and all subsidiary companies including certain inactive subsidiaries. The more significant subsidiaries are:

	1978	1977
Deebank Limited	100.0%	100.0%
Silvana Mines Inc. (Silvana) (note 3)	59.9%	72.3%
Carnegie Mining Corporation Limited	68.6%	68.6%

The operations for the first seven months of 1977 at the Silvana property were conducted by Kam-Kotia under a lease agreement (see note 3); for the remainder of 1977 the operations were conducted by Silvana, after it had become a subsidiary.

(b) Concentrates on hand and in transit

Shipments for which final settlements have not been received are included as concentrates on hand and in transit and are valued at net realizable value of $658,000 (1977, $941,000). Payments received in advance of final settlement are deducted from concentrates on hand and in transit and amount to $266,000 in 1978 ($276,000 in 1977).

(c) Exploration and development expenditures

Interest in and expenditure on outside mining, gas and oil properties is deferred in the accounts to be amortized when production commences or written off when the company relinquishes its interest in such properties.

(d) Depreciation and depletion

Depreciation of buildings, machinery and equipment and depletion of mining claims and properties are provided on the unit of production method based on estimated ore reserves.

2. INVESTMENTS IN MINING COMPANIES

	1978	1977
Listed shares		
Dickenson Mines Limited		
616,789 shares (1977, 596,709), at cost (quoted market value 1978, $4,086,000; 1977, $3,298,000) (see note 10)	$2,295,000	$2,154,000
Davis-Keays Mining Co. Ltd.		
1,392,050 shares, at cost less amounts written off of $2,473,000 (quoted market value 1978, $237,000; 1977, $167,000)	1,410,000	1,410,000
Other listed shares, at cost		
(quoted market value 1978, $1,234,000; 1977, $189,000)	433,000	277,000
Other shares and advances, at cost less amounts written off	657,000	931,000
	4,795,000	4,772,000
Less allowance for decline in value	490,000	638,000
	$4,305,000	$4,134,000

The quoted market values referred to above do not necessarily represent the realizable value of these investments which may be more or less than that indicated by market quotations.

By an agreement dated September 17, 1973, the company undertook to advance sufficient funds to Consolidated Churchill Copper Corporation Ltd. (Churchill) to bring its property into production and maintain operations thereafter. Operations became uneconomic and were discontinued during 1975. The unrecovered balance of $279,000 including 1978 costs of $19,000 related to this operation have been written off during 1978 (see note 7).

Under a settlement agreement reached in 1975, 40% of net proceeds from sales of fixed assets situated at the Churchill property are to be paid to Kam-Kotia.

3. SUBSIDIARY COMPANY

An agreement dated June 30, 1977 between Silvana, Kam-Kotia and Carnegie Mining Corporation Limited (Carnegie), provided that:

Silvana assume operation of the mining property in B.C.,

Kam-Kotia surrender its rights under an operating agreement in consideration of 550,000 shares of Silvana,

Kam-Kotia sell certain mine buildings, machinery and equipment owned by it to Silvana for 300,000 shares of Silvana, and

Carnegie sell its mill buildings, machinery and equipment to Silvana for 600,000 shares of Silvana.

Upon completion of these transactions in 1977 Silvana became a subsidiary of Kam-Kotia.

During 1978 Silvana issued 453,500 treasury shares and 375,000 warrants for total proceeds of $852,000.

None of these shares or warrants was purchased by Kam-Kotia and as a result the company's effective interest in Silvana is reduced to 59.9% in 1978 from 72.3% in 1977.

This transaction has been accounted for as follows:

Proceeds from sale of Silvana shares and warrants	$852,000
Minority interest in the above	$601,000
Gain to the consolidation	233,000
Proceeds attributable to purchase discrepancy, mining claims and properties	18,000
	$852,000

As at December 31, 1978, 371,500 warrants of Silvana were outstanding.

Subsequent to the year end the holders of Silvana warrants exercised their option to purchase at $2 per share, 362,400 shares for proceeds of $724,800. As a result, the company's effective interest in Silvana will reduce to 52% in 1979. All other warrants have expired as of February 9, 1979.

4. OIL AND GAS INTERESTS, AT COST

	1978	1977
Beaufort Sea	$ 140,000	$ 140,000
Enchant Area, Alberta	116,000	114,000
Grande Prairie, Alberta (see note 10)	42,000	34,000
Milver Project, Ontario	15,000	25,000
Operation Trent, Ontario	12,000	12,000
Palo Duro Project	71,000	
South Media Entrada, New Mexico	152,000	
Jacksboro County, Texas	94,000	
Other interests	4,000	3,000
	$ 646,000	$ 328,000

5. FIXED ASSETS AND DEFERRED DEVELOPMENT COSTS

The company's subsidiary, Silvana Mines Inc., is reactivating and developing the 4,000 foot level of its mine in British Columbia which has been inactive since 1967. Expenditures for buildings, machinery

and equipment of $158,000 at this mine site have been included with fixed assets. Depreciation of these assets will be provided when commercial production commences from the 4,000 foot level. All other expenditures for this project amounting to $661,000 have been included as deferred development costs.

6. CAPITAL STOCK

On May 9, 1977 options to purchase a total of 210,000 shares at $0.60 per share on or before September 30, 1981, were granted to certain employees and directors of the company and of Mid-North Engineering Services Limited which manages the affairs of the company.

During the year 160,500 shares (1977, 31,500) were issued for $96,300 (1977, $18,900) cash on exercise of certain of these options. The remaining 18,000 options to purchase were exercised subsequent to the year end.

7. EXTRAORDINARY ITEMS

	1978	1977
Gain on sale of land, buildings and equipment	$ 17,000	$ 231,000
Gain from sale of Silvana Mines Inc. shares and warrants (note 3)	233,000	
Unrecovered investment in the operation of the Consolidated Churchill Copper Corporation Ltd. property	(279,000)	
Gain on sale of royalty interest exchanged for shares in Silvana Mines Inc.		90,000
Provision for decline in value of investments		(500,000)
	$ (29,000)	$(179,000)

8. INCOME TAXES

The company and its subsidiaries are subject to income taxes on an individual rather than a consolidated basis. Statutory tax deductions available to the individual companies included in these financial statements exceed amounts being expensed in the consolidated financial statements.

The future tax benefit of the following timing differences have not been recorded in the accounts:

Kam-Kotia	
Excess of exploration and development expenditures available for income tax purposes over the carrying value of related assets (of which $400,000 is foreign)	$ 600,000
Excess of undepreciated capital cost of depreciable assets over net book value	260,000
Subsidiary companies	
Excess of undepreciated capital cost of depreciable assets of a subsidiary company over net book value	600,000
Loss carry forward of a subsidiary company, available until 1983	57,000
Excess of exploration and development expenditures available for income tax purposes over the carrying value of related assets	40,000

9. WORKING CAPITAL DERIVED FROM OPERATIONS

	1978	1977
Income before extraordinary items	$ 332,000	$ 468,000
Items not requiring use of working capital		
Depreciation and depletion	44,000	11,000
Minority interest in net income of subsidiary companies	48,000	23,000
Profit on sale of securities	(262,000)	(174,000)
Other	3,000	35,000
Working capital derived from operations	$ 165,000	$ 363,000

10. SUBSEQUENT EVENTS

(a) In February 1979 Kam-Kotia sold an interest in the Grande Prairie oil and gas leases to Dickenson Mines Limited in exchange for 265,813 treasury shares of Dickenson, valued at $6 per share. The value of the interest was based on a January 1979 successful bid per acre for a crown reserve parcel contiguous to the Grande Prairie leases. This transaction will result in Kam-Kotia recognizing a gain of approximately $1.5 million in 1979.

(b) By contract dated January 31, 1979, the company agreed to purchase from Conventures Limited, subject to acceptance by The Toronto Stock Exchange for filing of notice of the transaction, a 6.25% working interest in an Alberta petroleum and natural gas license for the following consideration:

(i) Issue by Kam-Kotia of 100,000 treasury shares to Conventures.

(ii) Transfer by Kam-Kotia to Conventures of 60,000 shares of Dickenson Mines Limited presently owned by Kam-Kotia.

(iii) Issue by Kam-Kotia to Conventures of a non-transferable warrant which entitles it to purchase a further 100,000 treasury shares of Kam-Kotia at $5.00 per share within one year after issue.

The Toronto Stock Exchange accepted notice of items (i) and (ii), but deferred acceptance of notice of item (iii) pending receipt of certain technical data relative to the transaction.

The terms of the contract referred to in items (i) and (ii) have been complied with, and the companies have agreed that when The Toronto Stock Exchange accepts notice of the warrant, Kam-Kotia will issue same on the terms stipulated providing that in no event will it expire later than August 29, 1980.

(c) On February 1, 1979 the directors of Kam-Kotia passed a special resolution to increase the authorized capital by creating an additional 5,000,000 shares without par value. This resolution is subject to confirmation by the shareholders.

11. OTHER INFORMATION

The aggregate direct remuneration paid by the company to directors and senior officers (including the five highest paid employees) amounted to $125,000 (1977, $142,000) of which $4,000 was paid by subsidiary companies.

AUDITORS' REPORT

To the Shareholders of
Kam-Kotia Mines Limited

We have examined the consolidated balance sheet of Kam-Kotia Mines Limited as at December 31, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 1, 1979

THORNE RIDDELL & CO.
Chartered Accountants

INVESTMENT SCHEDULE

THESE COMPANIES → held shares in THESE COMPANIES ↓ at December 31, 1978	KAM-KOTIA (Including Deebank)	Percentage of Outstanding shares	DICKENSON	Percentage of Outstanding shares
Abino Gold Mines Limited	645,591	13.0	1,825,199	36.7
Amalgamated Rare Earth	534,046	10.2		
Cardiff Uranium			410,286	15.8
Canadian Arrow	704,417	19.8		
Carnegie Mining**	1,625,018*	68.6		
Cincinnati-Porcupine	2,625,779	41.9		
Conventures Limited	31,000	0.6	772,896	14.8
Craibbe-Fletcher			983,300	27.3
Davis-Keays Mining	1,392,050	38.0		
Deebank Limited	10,003*	100.0		
Dickenson Mines	616,789	16.1		
Gateford Mines			223,855	10.2
Gateway Uranium	330,000	22.4		
Glencair Mining	721,322	35.5	145,000	7.1
Jameland Mines	1,514,995	30.3	2,025,000	40.5
Kam-Kotia Mines			2,112,108	47.1
Kenwest Mines			1,800,008*	60.0
Laddie Gold Mines	75,000	3.6	885,000	42.3
Langis Silver & Cobalt	67,500	0.8	369,450	4.5
New Cinch Uranium	701,600	21.3	589,000	17.9
New Kelore Mines	427,717	6.6	200,000	3.1
Nickel Rim Mines	194,000	3.2	274,000	4.5
Parvus Mines			856,125	46.3
Pidgeon Molybdenum			391,000	23.5
Pleno Mines	948,549	39.2		
Redcon Gold Mines			625,221	18.4
Rowan Gold Mines			520,130*	54.8
Silvana Mines	1,172,357	39.0	135,400	4.5
Tundra Gold Mines	15,000	0.3	2,378,588	43.6

* Subsidiary company.
** Carnegie Mining holds 600,000 shares (20%) of Silvana Mines.

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